

Developing a Model to Identify the Relationship between Brand Equity and Brand Preference by Customers

Kewmars Fallahil¹, Iraj Hashemi²

¹Institute for Educational Research Academy of Scientific in Education and Commercial Management Department, Management and Social Sciences Faculty, Tehran & North Branch, Islamic Azad University, Tehran, Iran, ²Commercial Management Department, Management and social sciences Faculty, Tehran North Branch, Islamic Azad University, Tehran, Iran.

*Email: iraj8ha@yahoo.com

Abstract

Both the customer and organization are using advantages of brand .When these consumers use a brand and experience it, they feel more comfortable with and will be eager to use that again. Trade names are the information about product's quality, performance and its other aspects. Brands lead customers to incur less risk. Branding gives meaning to their owners and can be considered as part of their wealth. Brand is a key concept in marketing circles, it can be used as a springboard which take your business forward successfully and give you a competitive advantage. Therefore, due to the importance of the brand and its effect on client's marketing and branding, this paper evaluates the effect of brand equity on brand preference by customers. Conceptual framework in designing the current study is based on "Acker" study and brand equity dimensions including brand loyalty, perceived quality, brand awareness, image brand, brand popularity, brand uniqueness. This model considers the impact of the brand equity dimension on brand preference. According to this model, six hypotheses have been proposed. The study population included 83 managers and marketing experts of Iran's "Saderat Bank". A questionnaire was used to collect data. Its reliability and validity has been confirmed. The binomial and Friedman test was used for analyzing data and rating scale. According to the results, five hypotheses were confirmed and one was rejected. It is concluded that brand popularity has the greatest impact on brand preference and brand loyalty has a minimal impact on brand preference by customers.

Keywords: brand equity, brand preference, brand loyalty, perceived quality, brand awareness, image brand, brand Popularity, and brand uniqueness.

Introduction

Today, services sector is the significant portion of the developed economies' GDP. However, little research has been performed to improve the performance of Services brands relatively (Brady and Bourdeau, 2005).

Services business branding is difficult and distinctive from physical goods for some characteristics such as intangibility, heterogeneity, inseparability and indivisibility. Research in the service sectors like banks shows that the brand dimensions and communications, have an effect on attitude and customers' substantially satisfaction and finally on brand preference in service sector (Chernatony and Segal-Horn, 2003).

Several theoretical frameworks offered to understand this topic: How customers think and react to brands (Chernatony and Segal-Horn, 2001).

This framework is a trademark and service sectors tend to be similar to the characteristics of physical goods and services with less emphasis on brand conceptualizing. Although some models have applications in field of goods and services (Grace and O'Cass, 2003).

Many companies think just tangible assets (equipment, land, buildings, etc.) can create value, but their intangible assets (management skills, marketing, financial and operational expertise and above all "Brand") can create more value (Konecnik, 2007).

Brand equity was suggested as a measure of brands strength. This concept formed and evolved over the past decade. Brand equity is a key factor in customer satisfaction. In this study, we examined dimensions of brand equity and will illustrate an integrated model for the relationship between brand equity and brand preference by customers (Rios, 2008).

Literature review

Sometimes, Brand marketing is the starting point, the distinction between goods and services. Products and services are competitive in the market, so brand is vital to the success of organizations. In recent years, marketing researchers focused on brand equity and recognized brand equity's importance in companies' success.

As American Marketing Association defines a brand: "brand is a name, term, design, symbol, or anything that distinguishing goods or services of one seller from other vendors." (Johansson, 2007)

Branding is a practical strategy to differentiate products and services in the industry. Today, companies and organizations not only are seeking to obtain market's competitive products and services, but many are trying to create harmony in their own consumers (Usakli & Baloglu, 2011).

Researchers of consumer studies have been concluded that organization and companies always can gain several benefits through brands and strong brand equity.

A good brand equity is interested in some of the following:

- Strengthening consumer's preferences
- Creating repurchase intention in customer
- Increasing feelings of consumption
- Increasing level of trust and loyalty
- Providing a basis for product differentiation

As a result, when brand's personality is consistent with the customer, we can expect that consumers are stable in their buying behavior (Taylor, 2007).

Brand equity

Value which is created to the customers by a brand is called brand equity and a strong brand makes an identification to participate in market. Brand equity is a tool to measure the strength of competitive brands (Farquhar, 1989). Brand equity, is the value which is given by product's trading name.

One reason for significance of brand equity is the value of the top brands. The brand equity is helping marketers and can gain a competitive advantage. One of the competitive advantages for companies with valuable brands is flexibility in dealing with competitor's pressure. Other advantage of brands is the ability using opportunities for developing market (Farquhar, 1989).

According to available purposes and different methods for evaluating the brand's equity, its different concepts which presented by researchers have been shown in following table. There is no consensus among scientists to provide a single definition (Keller, 2003).

Brand equity is based on consumer behavior approach and focuses on the knowledge that consumers earned about. The knowledge is created by brand awareness and brand associations and reflected brand image as well (Aaker, 1991; Keller, 1993).

Table 1: Definitions of brand equity from the perspective of different experts

Researcher	Definitions
Aaker (1991)	A set of brand assets and liabilities related to the value added
Chaudhuri & Holbrook(2001)	The distinguishing feature that is part of the brand and adds value to company balance sheet
Farquhar (1989)	The added value of the brand is supposed to give a product
Keller(2003)	The effect of brand differentiation on consumer response to marketing activity
Simon & Sullivan(1993)	Due to their cash flow on investment income

Thus, the power of brand results from knowledge and consumer opinion regarding their experience and brand-related to marketing programs (Keller, 2003).

Background of the study

Customer's satisfaction is the result of marketing activity that acts as a bridge between different stages of the consumer's buying behavior. If customers are satisfied with a particular product or service, they will probably buy it again (Phau, 2001). In today's competitive world, a reputable brand can create a significant competitive advantage. In this situation, if we can take advantage of the best brand it can lead to trust to customer's loyalty in long term situation and more profiting and more customer's attraction it has .(Burmman, 2005).Brand equity is one of the intangible assets of a company that has a dramatic impact on customer satisfaction and loyalty. Therefore it is expected, brand equity leads customers to select that brand and it would be the priority.

In general, perception and behavior is measured from the perspective of consumer-based. "Keller" was one of the first people who were presented some assumptions regarding concept of brand equity from the customer's perspective and he has emphasized the conceptual aspects (Sutton,2003).

He assumes that brand equity, is the information which is the basis of comparison between similar products.

The students are based on two dimensions: brand awareness and image which has been conceptualized. "Aaker" (1991) was one of the first people who presented new concept for brand equity. He outlined six following components in evaluation of brand equity from the consumer perspective including brand awareness, brand loyalty, perceived quality, and brand associations, brand image and brand popularity. Advantage of "Aaker" approach is measured in an index combining behavioral and cognitive dimensions of brand equity. However, consumer perception about brand equity is a prerequisite for detection behaviors. Another advantage of this model is its convenience and little number of dimensions (Cobb-Walgern et al,1998). According to Aaker's brand equity, the model dimensions are as follows:

- Brand Awareness
- Perceived Quality
- Brand Loyalty
- Brand Uniqueness
- Brand image
- Brand Popularity

Research hypotheses

The aim of this study was to examine the relationship between brand equity and customer purchase intent. Conceptual framework of the research takes place according to this model and other stuff mentioned.

Research hypothesis are formed based on the literatures and above conceptual framework. Hypothesis in this study included six items as below:

Hypothesis 1: There is a significant relationship between brand awareness and brand preference by customers.

Hypothesis 2: there is significant relationship between perceived quality and brand preference by customers.

Hypothesis 3: there is significant relationship between brand loyalty and brand preference by customers.

Hypothesis 4: there is significant relationship between brand uniqueness and brand preference by customers.

Hypothesis 5: there is significant relationship between brand image and brand preference by customers.

Hypothesis 6: there is significant relationship between brand popularity and brand preference by customers.

Methodology

Regarding the purpose, the study is a kind of applied research. Since data were collected regarding the presence of population's framework through using questionnaire, the study is a fieldwork research. The study used a descriptive research methodology. According to data collection method (questionnaire), the approach which has been used in collecting data is a descriptive research.

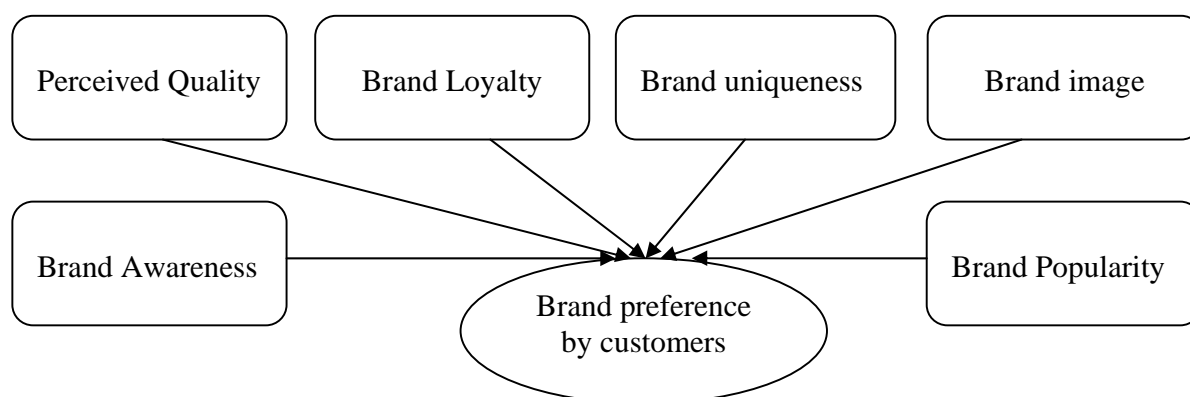


Figure 1: Conceptual framework of research

A questionnaire was used for collecting data. The population of the study includes marketing executives and staff of Tehran "Saderat" Bank. The numbers of sample are 110. Questions of questionnaire have been regulated based on a Likert scale. The questionnaire reliability was obtained based on Cronbach alpha (0.93) for total questions.

The results are shown in Table 2, the distribution of age, gender, education and position in bank have been characterized. According to these data, it is founded that 76 percent of the population were men and 24 percent were women, 54% have bachelor's degree, and 64 percent are expert in this bank.

Research hypotheses

To prove mentioned hypotheses, a binomial test was used. Results are shown in table below. As shown in Table 2, five hypotheses are confirmed and only one is rejected.

Table 2: Items in the questionnaire

Variable	Number of Question	eCronbach's Alpha
brand awareness	8	0.85
Perceived Quality	24	0.71
Brand Loyalty	12	0.84
Brand Uniqueness	16	0.91
Brand Popularity	16	0.90

Table 3. Frequency and percentage distribution of responses to questions about general statistical sample

Variable		Distribution percent
Age	20-30	2
	31-40	56
	Up 40	42
Gender	Male	76
	Female	24
Education	Diploma	5
	Associate degree	5
	Bachelors	54
	Masters	36
Position	marketing experts	64
	managers	36

H1: there is significant relationship between brand awareness and brand preference by customers.

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

H_0 : There is no significant relationship between brand awareness and brand preference by customers.

H_1 : There is a significant relationship between brand awareness and brand preference by customers.

According to Table 4, the standardized coefficient is 0.63. Correlation coefficient between these two variables is 5.18 (more than 2) and suggests the significance of the relationship. Therefore, H_0 is rejected and H_1 is confirmed. This means that there is a significant relationship between brand awareness and brand preference by customers.

H2: there is a significant relationship between perceived quality and brand preferences by customers.

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

H_0 : There is no significant relationship between perceived quality and brand preference by customers

H_1 : There is a significant relationship between perceived quality and brand preferences by customers

According to Table 4, the standardized coefficient is 0.47 correlation coefficient between these two variables is 7.25 (under than 2) and shows the significance of the relationship Therefore, H_0 is rejected and H_1 is confirmed. This means that there is a significant relationship between perceived quality and brand preference by customers.

Table 4. Results of hypothesis testing

Hypotheses	of	To	st .coefficient	(tvalues)	confirm
1	brand awareness	brand preference by customers	0.63	5.18	yes
2	Perceived Quality	brand preference by customers	0.47	7.25	yes
3	Brand Loyalty	brand preference by customers	0.48	6.22	yes
4	Brand Uniqueness	brand preference by customers	0.42	6.13	yes
5	Brand image	brand preference by customers	0.56	1.30	no
6	Brand Popularity	brand preference by customers	0.84	5.98	yes

H3: There is a significant relationship between brand loyalty and brand preference by customers.

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

H_0 : There is no significant relationship between brand loyalty and brand preference by customers.

H_1 : There is a significant relationship between brand loyalty and brand preference by customers.

According to Table 4, the standardized coefficient is 0.48 correlation coefficient between these two variables is 6.22 (more than 2) and indicates the significance of the relationship. Therefore, H_0 is rejected and H_1 is confirmed. This means that there is a significant relationship between brand loyalty and brand preference by customers.

H4: there is a significant relationship between brand uniqueness and brand preference by customers.

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

H_0 : There is no significant relationship between brand uniqueness and brand preference by customers.

H_1 : There is a significant relationship between brand uniqueness and brand preference by customers.

According to Table 4, the standardized coefficient is 0.42. Correlation coefficient between these two variables is 6.13 (more than 2) and indicates the significance of the relationship. Therefore, H_0 is rejected and H_1 is confirmed. This means that there is a significant relationship between brand uniqueness and brand preference by customers.

H5: there is a significant relationship between brand image and brand preference by customers.

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

H_0 : There is no significant relationship between brand image and brand preference by customers.

H_1 : There is a significant relationship between brand image and brand preference by customers.

According to the above table, the standardized coefficient is 0.56. Correlation coefficient between these two variables is 1.30 (more than 2) and indicates the significance of the relationship.. Therefore, the H_0 isn't rejected and H_0 is confirmed. This means that there is no significant relationship between Brand image and brand preference by customers.

H6: There is a significant relationship between brand popularity and brand preference by customers.

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

H_0 : There is no significant relationship between Brand Popularity and brand preference by customers.

H_1 : There is no significant relationship between Brand Popularity and brand preference by customers.

Table 5. Results of Friedman test for ranking of environmental factors

Rank	The intensity of the relationship between brand equity and purchase intention of customers	Mean Rank
4	brand awareness	3.51
2	Perceived Quality	3.66
5	Brand Loyalty	3.43
3	Brand Uniqueness	3.53
1	Brand Popularity	4.21

As it is clear from table 4, the standardized coefficient is 0.84. Correlation coefficient between these two variables is 5.98 (more than 2) and indicates the significance of the relationship.

Therefore, the H0 is not rejected and H0 is confirmed. This means that there is no significant relationship between brand popularity and brand preference by customers.

In this section, the dimensions of brand equity are ranked. We use the Friedman test to this purpose. According to Table 5, brand popularity has the strongest relationship with brand preference by customers. Perceived quality is at the next level. And the brand loyalty is less effective on brand preference by customers.

Conclusion

According to the results, factors such as popularity, perceived quality, uniqueness, brand awareness and loyalty could influence on the brand preference by customers. This suggests that bank managers and market experts will be given in this regard. Due to the popularity of the brand which has the most influence on brand preference by customers, therefore, it is recommended for the bank to do requested measures to increase the popularity of the brand in the market. There are some measures such as effective advertising slogans, designing teaser for the comprehensive public interest in a way that can be sustainable in different strata of the community. Undoubtedly, creating a sweet picture in the customers' heart is much more difficult than creating in their mind. But, it is possible to take more loyalty and market share through being in heart of customer.

In this regard, the measurement can be done through effective advertising slogans, development and design of advertisement in public interest and designing services for different classes of society. These actions and plans could create the brand's popularity. The perceived quality is second factor that has the greatest impact on brand preference. The proper authorities should be created performance appraisal systems with high levels of knowledge and technology and it should assess the quality of their service quality continually, and not allow a single customer receive service with less than the standard. Market research analysts at Bank should continue to monitor market conditions and assess the level of customer's satisfaction and perceptions about the services through a variety of tools. Another factor that has an effect on brand's preference and customer's buying behavior is brand awareness.

Brand awareness and perception of the brand among consumers

Creating brand (the Bank) is a high priority. So, it can be indicated that, one of the main reasons for the lack of bank services by the potential clients is their low recognition of the brand and services offered by banks. This is in a situation in which bank can affect potential clients' mind through a strong brand equity and introducing it to clients and causes to brand's preference.

It is clear that variables direct control is impossible for the bank. But, knowledge of the association and causal relationship between these variables and other control variables, helps to promote brand recognition effectively.

References

- Aaker, D. A., (1991). *Managing Brand Equity*, The Free Press, New York, NY.
- Brady, M. K., & Bourdeau, B. L., (2005). The Importance of Brand Cues in Intangible Service Industries: an Application to Investment Services, *Journal of Services Marketing*, 19(6), 401 - 410.
- Burmann, C., & Zeplin, S., (2005). Building Brand Commitment: A Behavioral Approach to Internal Brand Management, *Journal of Brand Management*, 12, 279–300.
- Chaudhuri, A., & Holbrook, M. B., (2001). The Chain of Effects from Brand Trust and Brand Affect to Brand Performance: The Role of Brand Loyalty, *Journal of Marketing*, 65(2), 81-93.

- Chernatony, D., & Segal-Horn, S. (2001). Building on Services, Characteristics to Develop Successful Services Brands, *Journal of Marketing Management*, 17(7/8), 645–669.
- Cobb-Walgren, C. J., Ruble, C. A., & Donthu, N., (1995). Brand equity, brand preference, and purchase intent, *Journal of Advertising*, 24(3), 25-40.
- Farquhar, P. H., (1989). Managing brand equity, *Marketing Research*, 1(3), 24-33.
- Grace, D., & O’Cass, A., (2003). An Exploratory of Service Brand Associations, *Journal of Service Marketing*, 17(5), 452-475.
- Hong-Bumm, K., Woo Gon K., & Jeong, A., (2003), The effect of consumer-based brand equity on firms’ financial performance. *Journal of Consumer Marketing*, 20(4), 335-351.
- Keller, K. L., (2003). *Strategic Brand Management: Building, Measuring and Managing Brand Equity*, 2nd ed., Prentice-Hall, Englewood Cliffs, NJ.
- Konecnik, M., & Gartner, W. C., (2007) Customer-based brand equity for a destination, *Annals of Tourism Research*, 34 (2), 400-421.
- Maehle, N., & Shneor, R., (2010). On congruence between brand and human personalities. *Journal of Product & Brand Management*, 19(1), 44–53.
- Phau, I., & Lau, K. C., (2001). Brand Personality and Consumer Self-Expression: Single or Dual Carriageway?, *Brand Management*, 8(6), 428–444.
- Rios, R., & Riquelme, H. E., (2008), Brand equity for online companies”, *Journal of Intelligence & Planning*, 26 (7), 719-742.
- Simon, C. J., & Sullivan, M. W., (1993). The Measurement and Determinants of Brand Equity: A Financial Approach, *Marketing Science*, 12(1), 28- 52.
- Sutton, D., & Klein, T. (2003). *Enterprise Marketing Management*, New Jersey: John Wiley & Sons, Inc Publishing.
- Taylor, S.A., Hunter, G. L., & Lindberg, D. L., (2007). Understanding (customer-based) brand equity in financial services, *The Journal of Services Marketing*, 21(4), 241-252.
- Usakli, A., & Baloglu, S. (2011). Brand personality of tourist destinations: An application of self-congruity theory, *Tourism Management*, 32(1), 114–127.